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STATE FOR EB/IFD/OIA AND INL - ABBY SMITH  
STATE PASS TO USAID FOR LAC/AA  
STATE PASS TO USTR FOR LYANG  
NSC FOR SUE CRONIN  
TREASURY FOR OSIA MAUREEN WAFER  
TREASURY FOR OTA WARFIELD, VAN KOCH, MILLAR  
COMMERCE FOR ITA SARAH COOK  
SOUTHCOM FOR POLAD

E.O. 12958: DECL: 08/06/2016  
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SUBJECT: PARAGUAY POLITICAL AND ECONOMIC UPDATE, JULY 29 -  
AUGUST 4 2006

Classified By: PolCouns. James P. Merz. Reason 1.4(b),(d).

11. (U) SUMMARY:

- USAID Project Yields Positive Results
- CAPSTONE Visits Paraguay
- Dirty Paraguayan Deputy on the Defensive
- Police, Drugs Involved in Kidnapping

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USAID Project Yields Positive results  
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12. (U) The Controller General's Office filed a claim before the Jury for the Prosecution of Magistrates against labor law judge Blanca Benitez Rivas. Judge Benitez Rivas allegedly committed prevarication and breach of her official duties as a judge by seizing GOP's public assets, which is prohibited by law in a legal case in which GOP was not even the defendant. Investigation and evidence collection for this case was conducted by the Investigative Unit (USAID supported project) of the Controller General's Office. In an ABC article on July 30, local media praised the quality of the unit's investigation. With solid evidence it will be more difficult to acquit corrupt officials (a common practice in Paraguay), advancing mission efforts to combat impunity and corruption, including influence peddling.

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CAPSTONE Visits Paraguay  
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13. (SBU) On 8/2, 19 members of CAPSTONE arrived in Asuncion from Brasilia, Brazil, for two-days of meetings as part of their regional orientation. CAPSTONE is a mandatory 6-week course for officers that have attained the rank of General/Flag Officer (one-star). As part of the course, an international trip is arranged to orient the officers to the region of their assignment. During their visit, the CAPSTONE members met with Gen Jose Key Kanazawa, Commander of the Armed Forces; Cesar Aguilera, Vice-Minister of Defense; Victor Hugo Pena Bareiro, Secretary General of the Ministry of Foreign Relations; and Col. Victor Picagua, Director of

the Institute of Strategic Studies. On 8/4, the CAPSTONE members departed for Buenos Aires. We received a press query from a Brazilian press outlet about the DC-10 carrying the CAPSTONE participants that landed in Ciudad del Este. Amembassy Brazilia fielded the query. Paraguayan press coverage was minimal and innocuous which is welcome in the run up to our efforts to renew our agreement for military exercises with Paraguay in 2007.

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Dirty Paraguayan Deputy on the Defensive  
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¶4. (C) Colorado Party Deputy Magdeleno Silva, long alleged to be linked to drug traffickers in the Departments of Concepcion and Pedro Juan Caballero, finds himself on the defensive over charges that he sought to lift a SENAD (Anti-Drug Secretariat) roadblock targeting drug traffickers in Concepcion on July 23. On 7/31, SENAD Director Hugo Ibarra told PolCouns that he had received a call from President Duarte on 7/23 at Silva's request about the roadblock. Apparently, Silva had told the President that the roadblock was obstructing Paraguayans from voting at the polls in Colorado primary elections for municipal offices. According to Ibarra, the President supported Ibarra once he explained the roadblock was in connection to an ongoing operation. As details of Silva's intervention has become public, he has come up for criticism by Vice-President Castiglioni and a senior Colorado Senator. Separately, opposition party deputies from the Beloved Fatherland Party have called for his suspension from Congressional proceedings for 60 days should there emerge concrete evidence of his obstruction of a drug operation. On the defensive, Silva has announced that he has hired 10 lawyers to sue people who are

making false charges against him.

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Police, Drugs Involved in Kidnapping  
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¶5. (U) On 8/1, the police arrested Benicio Gonzalez, a police official, along with his father and his brother, for involvement in the kidnapping of Edson Armoa Doldan on 7/30 in Ciudad del Este. Doldan had been released on 7/31 released when his family paid a \$100,000 ransom. When police arrested Gonzalez for the kidnapping they found and seized 39 kilos of cocaine in his residence. According to SENAD Director Hugo Ibarra, Doldan's father (Jorge Doldan) has a history of involvement in drug trafficking. It is believed Gonzalez, his father and brother found and took the cocaine when they kidnapped Doldan on his father's farm.

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